

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DETARIFFING BILLING AND
COLLECTION SERVICES

) ADMINISTRATIVE
) CASE NO. 306

O R D E R

Introduction

On January 29, 1986, the Federal Communications Commission ("FCC") released an Order in CC Docket No. 85-88, Detariffing of Billing and Collection Services. The FCC ordered the detariffing of interstate billing and collection services effective January 1, 1987.

The Commission, on its own motion, initiates this proceeding to investigate the intrastate implications of the FCC's detariffing of interstate billing and collection services and, also, to investigate the detariffing of intrastate billing and collection services.

Discussion

Billing and Collection Services

Billing and collection services include services provided by local exchange carriers ("LECs") to interexchange carriers ("IXCs"), whereby LECs bill and collect from end users for services provided to end users by IXCs. More specifically, billing and collection services include the recording of IXC

message detail, the aggregation of IXC message detail to create billable messages, the application of IXC rates to IXC billable messages, the processing and mailing of IXC rated messages in bill form, the collection of IXC payments and deposits, the handling of IXC customer bill inquiries, and the investigation of IXC bill evasion.

The FCC detariffed interstate billing and collection services on the conclusion that, first, such services are not communication services subject to regulation under the Communications Act of 1934¹ and, also, on the premise that sufficient competition exists in the market to prevent unreasonable LEC billing and collection rates and practices.² Although the FCC detariffed billing and collection services generally, it recognized that the message detail recording function represents a potential LEC bottleneck and ordered that LECs continue to provide the message detail recording function to IXCs through 1989.³

On the matter of detariffing intrastate billing and collection services, the Commission invites testimony from all LECs under its jurisdiction and testimony or comment from other interested parties on the following issues:

¹ CC Docket No. 85-88, Detariffing of Billing and Collection Services, Order released January 29, 1986, paragraph 31.

² Ibid., paragraph 37.

³ Ibid., paragraph 46.

1. Should intrastate billing and collection services be detariffed and, if so, would detariffing be consistent with applicable Kentucky law?

2. Are intrastate billing and collection services subject to market competition and, if so, does sufficient competition exist to prevent unreasonable billing and collection rates and charges?

3. Does the message detail recording function represent a special case that requires continued regulation apart from other billing and collection functions?

Revenue Requirements

In its billing and collection services detariffing Order the FCC concluded that "the deregulation of billing and collection services should not shift costs between the state and interstate jurisdictions."⁴

The Commission concurs that, all other factors remaining constant, the detariffing of interstate billing and collection services should not result in any increased intrastate revenue requirement. However, in order to verify the impact of detariffing interstate billing and collection services, the Commission will require all LECs under its jurisdiction to file the following information:

1. Estimated interstate and intrastate jurisdictional access service revenue requirement as of December 31, 1986, by access service category. (Estimating techniques should be explained.)

⁴ Ibid., paragraph 48, emphasis added.

2. Estimated interstate and intrastate jurisdictional access service revenue requirement as of January 1, 1987, by access service category. (Estimating techniques and changes from 1986 should be explained.)

3. Estimated intrastate jurisdictional non-access service revenue requirement as of December 31, 1986, by revenue category - i.e., local, toll, private line, etc. (Estimating techniques should be explained.)

4. Estimated intrastate jurisdictional non-access service revenue requirement as of January 1, 1987, by revenue category - i.e., local, toll, private line, etc. (Estimating techniques and changes from 1986 should be explained.)

Additionally, in order to assess the impact of detariffing intrastate billing and collection services, the Commission will require all LECs under its jurisdiction to file the following information:

1. Intrastate net book investment in billing and collection services as of December 31, 1985. (Net book investment calculations should be shown.)

2. Total intrastate revenues and expenses associated with billing and collection services for the year ended December 31, 1985, by account.

3. Total intrastate revenues and expenses for the year ended December 31, 1985, assuming all relevant adjustments and/or normalizations included in the LEC's most recent rate case, and any other applicable adjustments.

4. The most recent rate of return or times interest earned ratio authorized by the Commission.

Separate Subsidiary

Also, in its billing and collection services detariffing Order, the FCC concluded that "a separate subsidiary requirement applicable to the detariffed provision of billing and collection services is not warranted."⁵ Furthermore, the FCC concluded that accounting and cost allocation requirements would be sufficient to prevent cross-subsidization of unregulated billing and collection activities by regulated activities.⁶

The Commission does not concur that accounting and cost allocation requirements can prevent cross-subsidization with any absolute certainty. Therefore, the Commission invites testimony from all LECs under its jurisdiction and testimony or comment from other interested parties on the following issues:

1. Are accounting and cost allocation requirements sufficient to prevent cross-subsidization of unregulated billing and collection activities by regulated activities?

2. Should the Commission impose an intrastate separate subsidiary requirement?

⁵ Ibid., paragraph 49.

⁶ Ibid., paragraph 50.

3. Should the Commission develop intrastate accounting and cost allocation requirements or adopt the requirements in the process of development by the FCC? (Specific recommendations should be made.)

Local Termination of Service

In its billing and collection services detariffing Order, the FCC deferred to state regulatory authority on the matter of terminating local service for non-payment of interstate IXC toll charges.⁷ Therefore, the Commission invites testimony from all LECs under its jurisdiction and testimony or comment from other interested parties on the following issues:

1. Should the Commission allow or prohibit termination of local service for non-payment of interstate IXC toll charges?

2. Should the regulatory status (i.e., regulated versus deregulated) of billing and collection services determine whether termination of local service for non-payment of interstate and IXC toll charges is allowed or prohibited? That is, for example, assuming interstate detariffing, should termination of regulated local service be used to promote unregulated billing and collection services?

⁷ Ibid., paragraphs 51.

"Cut-Off Service" Charges

Also, in its billing and collection services detariffing Order, the FCC prohibited states from imposing cut-off service charges on IXC's for termination of local service for non-payment of interstate IXC toll charges.⁸ However, the prohibition does not extend to the possibility of imposing cut-off service charges on IXC's for termination of local service for non-payment of intrastate interLATA IXC toll charges. Therefore, the Commission invites testimony from all LECs under its jurisdiction and testimony or comment from other interested parties on the following issues:

1. Should cut-off service charges be considered as part of billing and collection services or as part of general exchange services?

2. Should cut-off service charges be imposed on IXC's for termination of local service for non-payment of intrastate interLATA IXC toll charges, as a means of compensating LECs for lost local service revenue?

3. If cut-off service charges are considered as part of billing and collection services, should the regulatory status of billing and collection services determine whether cut-off service charges are imposed? That is, if the Commission continues to regulate intrastate billing and collection services, cut-off

⁸ Ibid.

services revenue would flow through regulated accounts. However, if the Commission detariffs billing and collection services, cut-off services revenue would flow through unregulated accounts. In the first alternative, LEC ratepayers might benefit. In the other alternative, LEC ratepayers would not benefit.

4. In the event the Commission detariffs billing and collection services and cut-off service charges are considered as part of billing and collections services, would it be lawful for the Commission to require that unregulated LEC operations not impose cut-off service charges on regulated IXCs?

Findings and Orders

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that:

1. Administrative Case No. 306 should be established to investigate the detariffing of intrastate billing and collection services.

2. All LECs under the jurisdiction of the Commission should file information and testimony on all items enumerated in this Order no later than July 15, 1986.

3. Other interested parties should be invited to file testimony or comment and such information as they may have on any items enumerated in this Order no later than July 30, 1986.

IT IS THEREFORE ORDERED that:

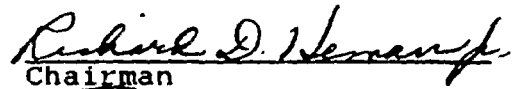
1. Administrative Case No. 306 be and it hereby is established to investigate the detariffing of intrastate billing and collection services.

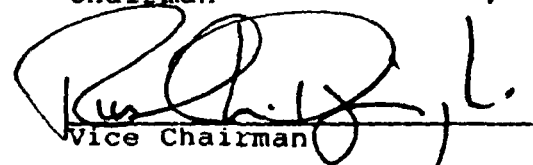
2. All LECs under the jurisdiction of the Commission shall file testimony and information on all items enumerated in this Order no later than July 15, 1986.

3. Other interested parties may file testimony or comment and such information as they may have on any items enumerated in this Order no later than July 30, 1986.

Done at Frankfort, Kentucky, this 20th day of June, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary